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SIPDIS

SENSITIVE

STATE FOR NEA/ELA AND EEB/IFD/ODF
STATE PASS USTR FRANCESCKI
STATE PASS USAID LAUDATO/NANDY/SCOTT
TREASURY FOR PARODI/BLEIWEISS/AHERN
USDOC FOR 4520/ITA/MAC/ONE
NSC FOR SHAPIRO/MCDERMOTT

E.O. 12958: N/A

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SUBJECT: LEBANON: PM-DESIGNATE MENTIONS ECONOMIC REFORM (ECONOMIC
WEEK IN REVIEW, JUNE 29 - JULY 5, 2009)

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HARIRI: NEW GOVERNMENT COMMITTED
TO ECONOMIC REFORM

¶1. (SBU) In a June 30 meeting with CENTCOM Commander General David Petraeus, Prime Minister-designate Saad Hariri said that, as head of the new government, in parallel with his efforts to build up Lebanon's security services, he plans to pursue economic reforms, streamline business procedures, and improve the investment climate. He stressed the need for investment in electricity and water, and noted that \$3.3 billion in money pledged for infrastructure investment at the 2007 Paris III donor conference was still not disbursed, pending reforms by the government. To follow the Paris III portfolio, Hariri said he would insist that the new Finance Minister come from his own Future Movement.

LEBANON'S
FORESTS ABLAZE

¶2. (U) Since June 30, fires have left many of Lebanon's forests and green areas ablaze. GOL officials have been quoted as saying that the main reason for the fires has been exceptionally high temperatures, along with high winds. However, caretaker Minister of Interior Ziad Baroud noted that the huge number of fires in recent days might indicate that the fires are the result of arson. Following massive forest fires in 2007 and 2008, and a fundraising campaign launched in 2008, the GOL procured fire-fighting helicopters and other equipment in June 2009.

WORLD BANK GROWTH ESTIMATES FOR 2009
LOWER THAN LOCAL FORECASTS

13. (U) In its latest Global Economic Prospects report, the World Bank (WB) forecasted Lebanon's GDP growth in 2009 at 2.5%. WB estimates are similar to those of the IMF and JP Morgan, at 3% and 3.5% respectively. However, the Governor of the Central Bank of Lebanon Riad Salameh and caretaker Minister of Finance Mohammad Chatah estimate 2009 growth will reach up to 6%. Local officials base their estimates on a strong upcoming tourism season, continued high capital inflows, and a resilient banking sector. By contrast, international financial institutions seem to believe tourism and banking in Lebanon will be hurt because of the economic crisis in the Gulf, lowering growth prospects. The Central Administration of Statistics estimated 2008 growth in Lebanon at 8.5%.

RAYTHEON DELEGATION IN BEIRUT
TO EXPLORE NEW INVESTMENT OPPORTUNITIES

14. (SBU) A delegation from Raytheon visited Beirut on July 2, meeting with officials from the Civil Aviation Authority (CAA) at Beirut's international airport and the Council for Development and Reconstruction (CDR), exploring investment opportunities and looking to expand Raytheon's current business activities in Lebanon. Raytheon representatives told us the CAA expressed interest in procuring additional equipment and sensors, following its successful collaboration with Raytheon in 1995 for the supply and installation of the primary and secondary radars at the airport. Nonetheless, the CAA told Raytheon it would need to secure USG or other outside financing for future projects.

LEBANON'S CONSUMER CONFIDENCE
STRONGEST IN THE REGION

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15. (U) According to the biannual MasterCard Worldwide consumer confidence index survey, MasterCard Index, Lebanon had the highest consumer confidence in the MENA region during the first half of 2009, with historically high scores. Lebanon's consumer confidence score more than doubled when compared to the first half of 2008. The index measures consumer confidence based on five indicators: employment, the economy, regular income, the stock market, and quality of life, on all of which Lebanon scored well. The report noted that Lebanon was the only country to see a yearly surge in its consumer confidence in the region, as other countries were hit by the global economic crisis.

SWINE FLU CASES
REACH 47

16. (U) According to the Ministry of Public Health the number of swine flu cases reached 47, up from 35 at the end of last week. All patients have recovered or are in the process of recovery, the ministry noted. No deaths have been attributed to the flu in Lebanon.

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